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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 001970

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TAGS: [PTER](#) [PGOV](#) [NP](#)

SUBJECT: NEPALI MAOISTS ATTACK FOREIGN HYDRO PROJECT;
CONFIRM BANDH DATES

REF: A. (A) KATHMANDU 1853

[B](#). (B) KATHMANDU 1938

Classified By: DCM ROBERT K. BOGGS. REASON: 1.5 (B,D).

SUMMARY

[1](#). (C) On October 8 Maoist insurgents attacked a Norwegian hydropower project northeast of Kathmandu, cutting its power production in half. The motive for the attack, according to a Nepali employee of the company, was "out-and-out extortion," rather than anti-Western ideolgy. The same day suspected insurgents also set off a bomb in the bathroom at the Kathmandu offices of the largest business association in the country. No one was injured. On October 7 Prachanda, the Maoist Party Chairman, released a statement reconfirming the program of agitation announced earlier (Ref A), including the November 11-13 general strike, or "bandh." End summary.

KHIMTI CUT-OFF

[2](#). (U) Late on October 8 approximately 150 Maoist insurgents attacked the intake mechanism at the 60 MW Khimti power project on the border between Ramechhap and Dolakha districts northeast of Kathmandu. The plant is now functioning at only 50 percent capacity, according to a source at Himal Power Company, a private Nepali shareholder in the project. Army troops stationed six km away at the power house were apparently unaware of the attack when it occurred because communications lines were cut. No one was injured in the attack. A consortium of Norwegian investors, including the state-owned Statkraft, holds an 85 percent share in the USD 140 million project, which went on line in late 2000.

[3](#). (C) An official at Himal Power Company described the attack as having been motivated by "out-and-out extortion." Maoists had been regularly extorting money from local project employees, but had recently upped their demands to two percent of profits, which would amount to USD 800,000. After project employees refused to meet the increased demand, the Maoists retaliated by destroying the intake. (Note: Power supply to the Kathmandu Valley has not been affected by the attack, since there is currently an oversupply of electricity in the grid. End note.)

BOMB AT BUSINESS ASSOCIATION

[4](#). (U) Earlier in the day on October 8 suspected Maoists set off a small explosive device in a bathroom in the Kathmandu offices of the Federation of Nepal Chambers of Commerce and Industry (FNCCI), Nepal's largest business association and a frequent and outspoken critic of the insurgency. No one was injured in the blast.

NO BREAK IN BANDH SCHEDULE, SAYS PRACHANDA

[5](#). (U) On October 7, Communist Party of Nepal (Maoist) Chairman Prachanda and insurgent ideologue Baburam Bhattarai released a lengthy press statement expanding on an earlier diatribe against the King's action in dismissing the government (Ref B). The King's anti-corruption admonitions are intended only to divert public attention "from the offenses of (Crown Prince) Paras Shah, who has for a long time been involved in smuggling . . . and also many murder cases." The statement urges all Nepalis to launch "a strong protest program" against the King's action by organizing "a roundtable conference of all political parties inside and outside Parliament, and patriotic national powers and organizations to form an interim government to hold elections to a constitutional assembly, disarm the Royal Army, and form a national army." Toward this end, Prachanda reiterated his

appeal to all Nepalis to observe the Terai general strike, or "bandh," he had called for October 27 and the nationwide strike called for November 11-13 (Ref A).

COMMENT

16. (C) The motivation for the attack on the Khimti power plant appears to have been venal, rather than ideological or specifically anti-Western. Whatever the reason, however, the attack is a serious setback to a government eager to attract foreign investment to its hydropower sector. So far public reaction to the King's dismissal of the government has been generally positive, and we expect little popular enthusiasm for a three-day national bandh to protest his action. At the same time, however, we do expect the Maoists will be able, as in the past, to enforce support for the strike through fear and intimidation.

MALINOWSKI